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## Vietnam

### Grain and Feed

### Annual

### 2007

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**Report Highlights:** Vietnam's total rice production for 2006 is estimated to remain unchanged from 2005 output levels, despite significant crop loss in key growing areas in the Mekong River Delta. Bumper harvests in the Red River Delta and Central Highlands helped offset losses, due to pest infestation, of over 860 MT. 2007 rice production is forecast to remain at the 2006 level due to unfavorable weather conditions. Rice exports are, nevertheless, expected to increase to 5 million tons in response to policies encouraging exports.

Vietnam's 2006 corn imports far-exceeded expectations with a record 660,000 MT, in response to high demand from a thriving feed industry. U.S. corn exports of 20,688 MT also benefited from attractive container freight charges. Post forecasts 2007 corn imports at 600,000-700,000 MT.

Wheat imports hit a new high in MY 2005/2006, with an import total of 1,200 thousand metric tons. The local milling industry continues to exhibit strong demand for wheat. Severe drought in Australia, Vietnam's key supplier of wheat, opened up market opportunities for U.S. wheat; a record 32,938 MT was exported in January 2007. Post estimates Vietnam's MY 2006/2007 wheat imports at 1,300 thousand metric ton.

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Includes PSD Changes: Yes  
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Annual Report  
Hanoi [VM1]  
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## SITUATION AND OUTLOOK

Vietnam's total rice production for 2006 was 34,500 thousand metric tons, despite significant crop loss to pest infestation. Around 860 MT of rice or 15,000 hectares had to be destroyed due to leaf blight/leaf stunt disease. However, bumper crops in the northern provinces and central highlands helped offset the loss, leaving production levels unchanged from 2005.

Vietnam's Ministry of Trade lowered export targets for 2007 to 4.5-4.7 million tons in reaction to the losses in 2006. Post however, projects that exports will be as high as 5.0 million tons in 2007, in response to high world prices as well as Vietnam's export promotion policies.

Vietnam's 2006 corn imports surpassed expectations and set a new record of 660,000 MT in response to high demand from a thriving feed industry. Vietnam also imported 20,688 MT of U.S. corn for the first time. Post forecasts 2007 corn imports at 600,000 - 700,000 MT.

Vietnam's wheat imports also hit another record in MY 2005/2006 with imports of 1,200 thousand metric tons. Australia dominated the market with a 57% share of total imports. Brazil was a newcomer to the market with 103,000 MT of mostly feed or low-grade wheat. Early indications for MY 2006/2007 suggest that Australia's severe drought will significantly impact its wheat exports to Vietnam. U.S. wheat imports stand to benefit from this, as indicated by export totals for January 2007 of 32,938 MT; more than twice the annual total of the previous market year.

Given continued rapid growth in the aquaculture sector and the high demand for feed, wheat imports should continue to climb steadily. Post forecasts 2007 wheat imports at 1,300 thousand metric tons.

Vietnam's Ministry of Agriculture and Rural Development (MARD) has completed biosafety regulations for field trials of biotech crops. This should be signed into law by the end of April. Biotech corn, soybeans and cotton are the three commodities slated for field trials, which should begin early this year. Work on the regulations for commercialization of biotech crops is ongoing, and FAS/Hanoi continues to provide technical assistance. U.S. biotech grain and seed exports stand to gain much from the success of these endeavors.

## 1. RICE

## STATISTICAL TABLES

Table 1.1 Vietnam's Production, Supply and Demand for Rice

Country	Vietnam								
Commodity	Rice, Milled		Units: (1000 HA) (1000 MT) (MT/HA)						
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Area Harvested	7314	7430	7314	7305	7420	7305	0	0	7350
Beginning Stocks	4164	1150	1150	4342	1007	1317	4012	1323	1037
Milled Production	22772	22557	22772	22770	23016	22770	0	0	22994
Rough Production	34503	34177	34503	34500	34873	34500	0	0	34839
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600	0	0	6600
MY Imports	350	350	350	300	300	450	0	0	450
TY Imports	350	350	350	300	300	450	0	0	450
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	27286	24057	24272	27412	24323	24537	4012	1323	24481
MY Exports	4694	4800	4705	4900	4500	5000	0	0	4600
TY Exports	4694	4800	4705	4900	4500	5000	0	0	4600
Total Consumption	18250	18250	18250	18500	18500	18500	0	0	18750
Ending Stocks	4342	1007	1317	4012	1323	1037	0	0	1131
Total Distribution	27286	24057	24272	27412	24323	24537	0	0	24481
Yield (Rough)	4.717391	4.599865	4.717391	4.722793	4.699865	4.722793	0	0	4.74

Table 1.2: Vietnam's Rice Export

<b>Export Trade Matrix</b>			
<b>Country</b>	Vietnam		
<b>Commodity</b>	Rice, Milled		
Time Period	Jan - Dec	Units:	Metric tons
Exports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Indonesia	97,400	Indonesia	309,069
Malaysia	330,782	Malaysia	478,872
Singapore	25,248	Singapore	71,128
Philippines	1,808,322	Philippines	1,525,514
Iran	251,700	Iran	625
East Timor	28,600	East Timor	23,895
Cuba	586,528	Cuba	419,716
Russia	43,810	Russia	69,409
Japan	99,350	Japan	133,750
Total for Others	3,216,200		3,031,978
Others not Listed	1,962,018		1,672,888
Grand Total	5,178,218		4,704,866

Table 1.3: Vietnam's Rice Import

<b>Import Trade Matrix</b>			
<b>Country</b>	Vietnam		
<b>Commodity</b>	Rice, Milled		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Cambodia	300,000	Cambodia	350,000
Total for Others	300,000		350,000
Others not Listed	20,000		20,000
Grand Total	320,000		370,000

## 1.1 PRODUCTION

Although Vietnam's rice production suffered significant loss due to pest infestations, overall rice production reached 34,500 thousand metric tons in 2006. Bumper harvests in the Red River Delta provinces and the Central Highlands helped to offset losses of about 860 thousand metric tons of paddy in the Mekong River Delta, leaving production levels virtually unchanged from 2005.

Vietnam's 2007 rice production has just started with the Winter-Spring crop in the Mekong River Delta. As much as one-third of the early planting area had been infested with brown plant hopper and the leaf blight/leaf stunt disease. Farmers anxious to take advantage of the high price for paddy had not allowed a rest period between harvesting of the late Summer-Autumn and Lua Mua (Ten-month) crops and planting of the Winter-Spring crop. As a result, around 10,000 – 15,000 hectares of infected crop had to be destroyed, on the advice of the government. Re-planting was subsequently done in this area, resulting in the harvest being somewhat later than usual. Farmers in the remaining two-thirds of the production area wisely delayed planting for 15-30 days to avoid transmission of pests from the old crops to the new one. This is the area in which paddy is grown. The delay in planting resulted in the harvest being 30 days later than usual. Overall, the total 2007 Winter-Spring production area in the Mekong River Delta increased slightly, by about 5,000-6,000 hectares over 2006.

2007 Winter-Spring crop in the Red River Delta (Northern Vietnam) has just been planted. This area accounts for around 40% of total Winter-Spring production. About 15,000 hectares in this region were shifted from rice to crops better suited to the soil and requiring less water; namely, peanuts.

Post estimates Paddy production in the Mekong River Delta will decrease about 100 thousand metric tons due to pests and unfavorable weather; paddy production should remain unchanged in the Red River Delta.

Planting for the 2007 Summer-Autumn crop is expected to be late and slightly down, since this crop is grown mostly in the Mekong River Delta, where the Winter-Spring harvest was delayed. Early forecasts suggest that poor weather may also have an effect. Lua Mua, on the other hand, should be up slightly as farmers try to increase production to benefit from good paddy prices.

Post forecasts 2007 rice production will remain at the 2006 level due to unfavorable weather conditions.

**Vietnam Rough Rice Area, Yield and Production (Revised February, 2007)**

Marketing Year	2005 Revised		2006 Estimate		2007 Forecast	
	Old	New	Old	New	Old	New
<b>Harvested Area (tha)</b>						
Lua Mua (10th Month)	2,070	2,020	1,980	2,025		2,010
Winter-Spring	2,980	2,993	2,980	2,985		2,995
Summer-Autumn	2,380	2,301	2,400	2,295		2,345
<b>TOTAL</b>	<b>7,430</b>	<b>7,314</b>	<b>7,360</b>	<b>7,305</b>		<b>7,350</b>
<b>Yield (mt/ha)</b>						
Lua Mua (10th Month)	3.73	4.14	3.75	4.13		4.16
Winter-Spring	5.75	5.62	5.60	5.60		5.63
Summer-Autumn	4.17	4.05	4.18	4.10		4.11
<b>TOTAL</b>	<b>4.68</b>	<b>4.72</b>	<b>4.64</b>	<b>4.72</b>		<b>4.74</b>
<b>Production (tmt)</b>						
Lua Mua (10th Month)	7,721	8,354	7,313	8,370		8,360
Winter-Spring	17,135	16,819	16,688	16,718		16,850
Summer-Autumn	9,918	9,330	10,032	9,411		9,629
<b>TOTAL</b>	<b>34,774</b>	<b>34,503</b>	<b>34,145</b>	<b>34,500</b>		<b>34,839</b>

Source: Post's estimation

**DOMESTIC PRICES****Local paddy prices and rice Export prices in the Mekong River Delta**

	Price VND/kg	
	Paddy	5% Broken Rice for export
Jan. 2006	2,420-2,450	3,950-4,000
Feb. 2006	2,250-2,300	3,750-3,780
Mar. 2006	2,250-2,300	3,650-3,700
Apr. 2006	2,300-2,350	3,700-3,750
May 2006	2,350-2,400	3,800-3,850
Jun. 2006	2,400-2,450	3,800-3,850
Jul. 2006	2,400-2,450	3,850-3,900
Aug. 2006	2,400-2,450	4,000-4,050
Sep. 2006	2,550-2,600	4,050-4,100
Oct. 2006	2,800-2,900	4,300-4,400
Nov. 2006	2,650-2,800	4,150-4,200
Dec. 2006	2,650-2,800	4,200-4,300

Source: combined data/ Vietnam Food Association



According to Vietnam's Ministry of Trade, average paddy price in 2007 will be 11% higher than 2006, at around VND 2,900/kg or US 0.18 cents/kg. The projected increase is due to lower local production but expected higher export demands.

## 1.2 CONSUMPTION

Vietnam's per capita rice consumption is currently about 150kg/yr, which reflects a 12% drop from per capita consumption levels ten years ago. This decline in rice consumption is consistent with patterns in other countries in Asia, where as the economy develops consumers have greater means and access to other foods, with consumption of rice per capita tending to decline as income increases. In the case of Vietnam, the statistics indicate a constant level of increase in rice consumption, but more and more of the increase is attributable to increasing use of rice in farmer's home-made feed to support rapidly expanding animal and aquaculture sectors. Post estimates the increase for total consumption at 250,000 MT for MY 2006 and 2007.

## 1.3 TRADE / COMPETITION

### Trade

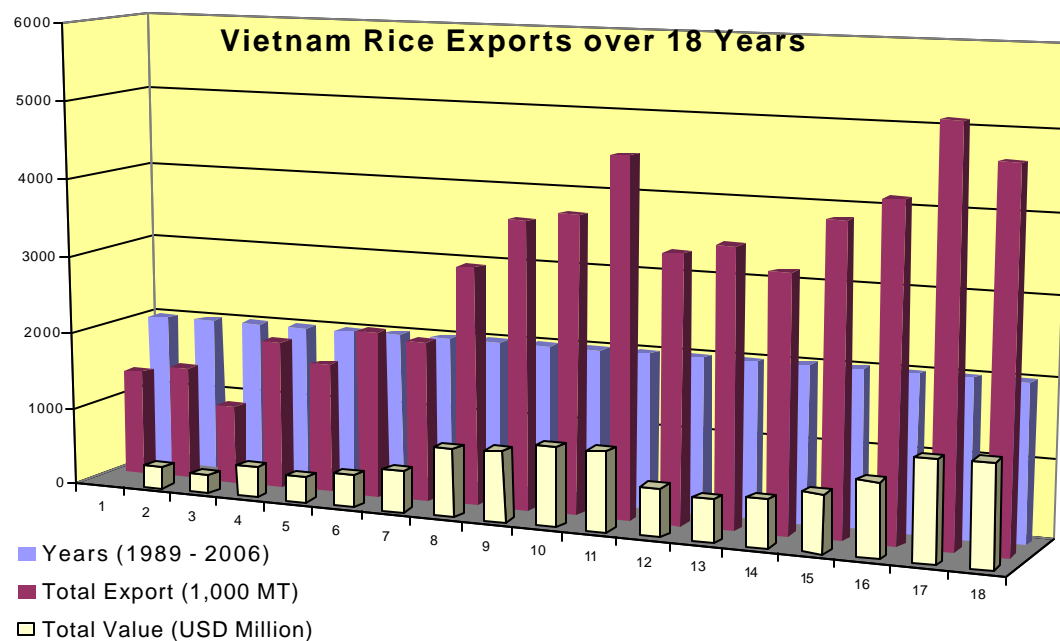
In early 2006, Vietnam set a rice export target of 5 million metric tons for 2006. Soon after, however, rice fields in the Mekong River Delta became infested with brown plant hopper and leaf stunt disease. Traders, nevertheless, continued to contract for exports, and by the end of October 2006, almost 4.9 million metric tons of rice had been contracted for export. The government took immediate steps to avoid domestic and other shortages by banning all export of rice on November 12, 2006, except for ships already in port and certain obligations to Cuba and Indonesia. In early December 2006, Vietnam revised its rice export plan for 2007 from five million down to 4.5- 4.7 million tons. Post, nevertheless, forecasts rice exports for 2007 at 5.0 million tons.

### Financial issue

Vietnamese rice exporters' lack of credit or access to capital has been a weakness of the industry for some years now. Often, during peak harvest periods, exporters have been unable to purchase paddy from farmers until they are able to secure a loan. Most banks only provide loans to exporters with a Letter of Credit (L/C) as guarantee. Exporters must often first sign an export contract and obtain a Letter of Credit before they are able to get the loan funds to buy the farmers' harvest. As a result, rice exporters sometimes end up with contracts that are well below market price. The Vietnam Food Association has pressed banks for more unsecured loans to purchase rice stocks. But banks will only make loans without L/C to exporters with a good trading record over many years.

### Strategy

The Ministry of Agriculture and Rural Development (MARD) has set several targets for its rice development strategy in the 21st century. One such goal is a production level of 36 million metric tons by 2010, in order to maintain a minimum export level of 4 million metric tons per year. Another goal is to develop one million hectares in the Mekong River Delta and 0.3 million hectares in the Red River Delta for the exclusive use of producing high quality rice for exports, thereby improving Vietnam's competitiveness on the international market. Vietnam's rice has been less competitive than Thailand's, for example, in terms of quality and this makes for a big difference in the selling price even of the same grade rice.



Source: VFA / Combined data

## Exports

In 2006, Vietnam fell short of its rice export target of 5 million tons and was only able to export 4.7 million tons of rice. Asia is Vietnam's largest export market, with South East Asian countries such as the Philippines, Malaysia, Indonesia and Singapore being the prime market. The Philippines was again the biggest buyer of Vietnamese rice, in 2006, importing over 1.6 million tons, though 12% less than 2005.

African countries and Cuba also number among Vietnam's traditional rice buyers. Vietnam's rice exports to both markets declined in 2006. In the case of Africa, exports in 2006 totaled 1,700 thousand metric tons, a decrease of 400 thousand metric tons from 2005. Rice exports to Cuba declined 150 thousand metric tons, to an export total of 587 thousand metric tons in 2006. Vietnam usually ships about 400 - 600 thousand metric tons of rice to Cuba each year on a deferred payment basis.

Vietnam exported more high quality rice in 2006, and 5% broken rice was shipped at about the same volume as 2005, though it accounted for 36% of total exports compared with 33% in 2005.

Indonesia will continue to import rice this year. The forecast for Vietnam's rice exports to Indonesia and the Philippines is around 3.0 million metric tons total.

Vietnamese rice exporters have also just secured a contract for 17,050 MT of rice to Japan. This is the third such contract for this year, and thus far Vietnamese exporters have contracted to sell a total of 45,050 MT of rice to Japan. The Vietnam Food Association announced last month that it has an export target of 170,000 MT of rice to Japan this year, compared with 130,000 MT in 2006.

## Vietnamese Rice Export by Grade and Destination - Calendar year 2006

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
<b>ASIA</b>	<b>666,615</b>	<b>16,016</b>	<b>501,359</b>	<b>1,505,670</b>	<b>27,826</b>	<b>41,920</b>	<b>9,175</b>	<b>8,685</b>	<b>2,777,266</b>
In which: Indonesia	-	6,397	267,456	125	6,266	28,325	500	-	309,069
Philippines	37,059	3,665	42,152	1,431,120	7,296	4,148	74	-	1,525,514
Malaysia	417,358	210	33,740	23,628	250	959	2,533	194	478,872
Singapore	12,358	2,390	21,455	19,247	2,778	5,302	2,577	5,021	71,128
East Timor	200	-	13,850	8,145	-	-	1,700	-	23,895
Iraq	161,714	-	-	-	-	-	-	-	161,714
Iran	625	-	-	-	-	-	-	-	625
Syria	1,237	-	-	-	-	-	-	-	1,237
Yemen	4,899	-	-	-	-	-	-	-	4,899
North Korea	-	-	-	-	-	-	-	-	-
Japan	-	2,500	118,156	10,000	1,500	1,554	20	20	133,750
Cambodia	-	-	-	-	-	-	-	-	-
Hong Kong	624	-	-	-	841	-	393	-	1,858
others*	30,541	854	4,550	13,405	8,895	1,632	1,378	3,450	64,705
<b>AFRICA</b>	<b>978,903</b>	<b>8,975</b>	<b>165,303</b>	<b>124,396</b>	<b>54,938</b>	<b>-</b>	<b>11,995</b>	<b>1,000</b>	<b>1,345,510</b>
In which: Tanzania	49,192	-	34,955	650	-	-	6,400	-	91,197
Senegal	-	-	-	-	26,950	-	-	-	26,950
Angola	170,135	-	22,750	3,500	1,000	-	-	-	197,385
Rwanda	-	-	-	-	-	-	-	-	-
Ghana	132,889	-	4,000	5,150	-	-	-	-	142,039
Uganda	-	-	215	-	-	-	-	-	215
Ivory coast	164,724	-	14,978	18,998	-	-	2,000	-	200,700
Reunion	345	-	-	-	-	-	-	-	345
West Africa	13,820	-	-	-	-	-	-	-	13,820
Mozambique	17,270	-	5,850	-	-	-	-	-	23,120
Yemen	3,125	-	-	-	-	-	-	-	3,125
Kenya	12,877	3,300	43,425	250	-	-	-	-	59,852
Congo	50,850	5,350	1,500	13,368	-	-	95	-	71,163
Libya	25	-	-	-	-	-	-	-	25
Algeria	24,303	-	822	-	-	-	-	-	25,125
others*	339,348	325	36,808	82,480	26,988	-	3,500	1,000	490,449
<b>EUROPE and CIS</b>	<b>30,987</b>	<b>40,158</b>	<b>27,234</b>	<b>7,530</b>	<b>1,064</b>	<b>115</b>	<b>2,719</b>	<b>416</b>	<b>110,223</b>
In which: Russia	9,631	38,074	20,404	-	1,000	-	300	-	69,409
Ukraine	2,602	-	1,766	6,625	-	-	-	-	10,993
Poland	1,614	312	-	-	-	-	-	-	1,926
others*	17,140	1,772	5,064	905	64	115	2,419	416	27,895
<b>AMERICAS</b>	<b>13,934</b>	<b>173</b>	<b>363,042</b>	<b>56,624</b>	<b>-</b>	<b>-</b>	<b>654</b>	<b>21</b>	<b>434,448</b>
In which: Cuba	175	-	363,042	56,499	-	-	-	-	419,716
Brazil	-	-	-	-	-	-	-	-	-

AUSTRALIA	11,073	426	563	1,465	3,698	-	321	-	17,546
UNKNOWN	-	300	-	-	-	-	-	19,573	19,873
TOTAL	1,701,512	66,048	1,057,501	1,695,685	87,526	42,035	24,864	29,695	4,704,866

\* Others indicate that no clear destination is declared. It may/may not include the countries in the list of the same region

Source: Trade

## Imports

Rice import volumes from Cambodia and Laos are expected to be higher in 2007. Vietnam has established new trading arrangements supporting paddy/rice investment and trade with both Cambodia and Laos. With these new arrangements, Vietnam expects to have more rice for local consumption, thus freeing up more Vietnam-grown rice for export. Post forecasts rice imports from Cambodia and Laos in 2007 will be as much as 450 thousand metric tons.

## 1.4 POLICY

### High Quality Rice Program

In April 2006 Vietnam instituted a plan with a target goal of exporting one million ton of premium grade rice in 2007. Current indications are that Vietnam may not be able to achieve this goal owing to a lack of seedlings, pest infestation, and poor coordination between farmers and exporters. Seven Mekong Delta provinces – Dong Thap, An Giang, Tien Giang, Long An, Soc Trang, Kien Giang and Can Tho – were assigned to grow the required volumes and each province was asked to set aside at least 30,000 ha of land for premium varieties during the 2006-2007 winter-spring crop. Recently, the seven provinces asked the Ministry of Agriculture and Rural Development (MARD) to cut their targets, citing serious shortfalls in premium grade rice seedlings as well as pest attacks. Farmers are also wary of planting premium grades as there is much uncertainty about exporters' marketing strategy. While farmers are accustomed to getting their paddy sold directly after harvest, exporters tend to delay buying the premium grade rice while they wait to get the best prices.

### Import Duty Exemption for Agro-commodities from Cambodia and Laos

Vietnam passed several laws in 2006 and early 2007 which reduced or eliminated import tariffs and other taxes on a variety of agricultural commodities, including paddy/rice, from Cambodia and Laos. There are, however, Tariff Rate Quotas (TRQs) for rice and paddy so as to prevent over-imports that could harm the local rice production industry.

- **Tax and VAT exemption:** Imports of unprocessed farm produce, grown in Cambodia through Vietnam investments, are tax-exempt and free from VAT upon entry into Vietnam. Under this ruling, paddy grown and harvested by Vietnamese concerns in Cambodia is tax-exempt and VAT-free when imported into Vietnam.
- **Preferential Tariff rate for Cambodian goods:** A variety of farm produce of Cambodian origin is allowed entry into Vietnam under the preferential import tax rate of 0% (zero percent). For milled rice and tobacco, the preferential import tax rate is applied on a Tariff Rate Quota (TRQ) basis.
- **Tariff Rate Quota for Cambodian goods:** Certain goods of Cambodian origin with 0% (zero percent) import duty are subject to Tariff Rate Quotas (TRQs). The TRQ for milled rice is set at 30,000 MT for 2006 and 100,000 MT for 2007; or alternatively, paddy with a TRQ of 60,000 MT for 2006 and 200,000 MT for 2007.

- **Tariff Rate Quota for Goods of Laos Origin:** Certain goods of Lao origin (rice and paddy; tobacco leaves and stems; and motorbike spare parts) may receive an import tariff rate of 0% (zero percent) on a TRQ basis. The Tariff Rate Quota for rice in 2007 is 40,000 MT.

## 2007 Export Credit Policy

In March 2007, Vietnam instituted a policy setting interest rates on loans for investment or export purposes. Under this policy, the interest rate on investment loans, issued in freely exchangeable foreign currencies, will be 7.5% per annum. Similar loans for export credit will have an interest rate of 6.9% per annum.

## 2. CORN

### STATISTICAL TABLES

**Table 2.1: Vietnam's Production, Supply and Demand for Corn**

Country Vietnam									
Commodity Corn		Units: (1000 HA)(1000 MT)(MT/HA)							
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Area Harvested	1100	1100	1032	1150	1150	1150	0	0	1200
Beginning Stocks	356	10	10	428	14	25	488	31	87
Production	4000	4004	3818	4370	4370	4312	0	0	4560
MY Imports	374	500	404	200	500	650	0	0	700
TY Imports	375	500	397	200	500	650	0	0	700
TY Imp. from U.S.	17	0	1	0	0	30	0	0	50
Total Supply	4730	4514	4232	4998	4884	4987	488	31	5347
MY Exports	2	10	0	10	10	0	0	0	0
TY Exports	5	10	0	10	10	0	0	0	0
Feed Consumption	3300	3457	3357	3500	3802	3850	0	0	4230
FSI Consumption	1000	1033	850	1000	1041	1050	0	0	1060
Total Consumption	4300	4490	4207	4500	4843	4900	0	0	5290
Ending Stocks	428	14	25	488	31	87	0	0	57
Total Distribution	4730	4514	4232	4998	4884	4987	0	0	5347
Yield	3.636364	3.64	3.699612	3.8	3.8	3.749565	0	0	3.8

Table 2.2: Vietnam's Corn Export

Export Trade Matrix			
Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric tons
Exports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Total for Others			
Others not Listed	1000		0
Grand Total	1000		0

Table 2.3: Vietnam's Corn Import

<b>Import Trade Matrix</b>			
<b>Country</b>	Vietnam		
<b>Commodity</b>	Corn		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2005		2006
U.S.	0	U.S.	21,000
Others		Others	
Thailand	53,000	Thailand	300,000
Argentina	141,000	Argentina	202,000
China	76,000	China	62,000
Myanmar	5,000	Myanmar	
		India	7,000
Total for Others	222,000		571,000
Others not Listed	0		68,000
Grand Total	222,000		660,000

## 2.1 PRODUCTION

Although Vietnam's 2006 corn production fell short of earlier forecasts, it nevertheless increased 9.6 percent over 2005. A reduction of one percent in production area was largely responsible for the lower output, which was offset somewhat by a better than expected yield per hectare. Corn also faced strong competition from more profitable crops. Post forecasts 2007 corn production at around 4.3 million metric tons, an increase of about 13 percent over 2006.

### Vietnam Corn Production in 2005-2007

	Unit	2005	2006		2007 Forecast
			estimate	revised	
Planting area	1,000 hectares	1,043.30	1,100.00	1,032.00	1,150.00
Yield	mt/ha	3.60	3.64	3.70	3.75
Production	1,000 mt	3,756.70	4,004.00	3,818.40	4,312.50

Source: MARD / Post's Estimate

The Ministry of Agriculture and Rural Development (MARD) projects that the corn production area will increase by about 11 percent in 2007 and yield should also increase slightly.

Corn domestic price is currently quoted at VND 3,800/kg, in contrast to VND 2,300-2,500/kg for the same period last year. (Exchange rate VND 16,010 = \$1 as of March 24, 2007)

## 2.2 CONSUMPTION

Vietnam's corn consumption is mainly in the production of animal feed, which accounts for about 80 percent of total consumption. Vietnam produces about 10 million metric tons of feed annually, with 33 percent being commercially manufactured and the rest homemade by farmers. The Vietnamese animal feed production sector relies heavily on imported ingredients. Vietnam imports about 60 percent of the inputs in its animal feed. In the past feed imports were mainly protein, with energy needs supplied locally. However, in recent years, energy imports, particularly corn, have increased significantly as demand for feed production continues to outstrip local feed grain supply.

Lower tariffs continue to put pressure on domestic prices, and this could lead to much slower growth in production in coming years. Further improvements in local yields should be possible in the coming years, but competition from corn produced in countries with fewer constraints on land and with climates more conducive to corn production will undoubtedly negatively impact Vietnamese corn production in coming years. Limits on storage and grain handling facilities are also determining factors for future growth.

## 2.3 TRADE / COMPETITION

Vietnam's corn imports in calendar year 2006 reached a record 660,000 MT, almost 200 percent more than 2005 and 32 percent more than post's forecast. This huge increase in imports can be attributed to several factors, not least of which is the thriving animal feed sector. Three new mills opened in 2006 with an eye to capturing a larger share of the homemade feed industry, which accounts for more than 65% of the feed market. Feed produced in feed mills, unlike the homemade feed produced by farmers from an array of



vegetable products and waste, is derived from more standardized materials, of which corn is a primary component.

In 2006, Vietnam became the leading importer of corn from Thailand. Thai Customs reported 125,000 MT of the 306,000 MT of corn exported from Thailand in 2006 was shipped to Vietnam. Industry sources in Vietnam estimate that the figure may be as high as 300,000 MT, since the customs figure does not account for container shipments or trans-shipments through Cambodia and Laos. Argentina also increased its market share from 141,000 MT in 2005 to 186,000 MT in 2006. China, however, had a 28 percent decline from 2005 exports.

2006 was a pivotal year for U.S. corn exports to Vietnam. As evidenced in the table below, U.S. corn exports to Vietnam went from virtually no exports to 20,688 MT in 2006. Previously, United States' competitiveness was hurt by the lack of deep-water port facilities and poor grain handling infrastructure, leaving importers to rely on container shipments, with hefty freight charges. However, reductions in freight charges on empty containers returning to Asia helped facilitate imports of U.S. corn.

Post forecasts 2007 corn imports will remain at current high volumes due to constraints on local production and a steady growth in the feed industry. Post estimates imports of 600,000 to 700,000 MT. Reports are that Thailand will limit corn exports in 2007. This should open the market for even more U.S. corn exports, especially given current lower freight rates.

**United States Annual Corn Exports to Vietnam**  
Quantities in MT

	2002	2003	2004	2005	2006	January 2006	January 2007	% Change
#2 Corn, EX SD		0.0	0.0	0.0	19,523.0	0.0	1,583.0	---
Corn, NES	0.0	0.0	0.0	0.0	943.0	0.0	0.0	---
#3 Corn, EX SD	0.0	0.0	20.0	0.0	222.0	0.0	0.0	---
<b>TOTAL</b>			20.0		20,688.0	0.0	0.0	---

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

### Imports of DDGS (Distillers Dried Grain Soluble)

DDGS was introduced into Vietnam in 2005, with a total import volume of 20,000 MT. In 2006, imports increased 150 percent to 50,000 MT. The market for DDGS will continue to grow in Vietnam as the feed industry searches for alternate protein sources to help lower production cost, which continues to be much higher in Vietnam than in neighboring countries. Recently, millers received samples of Chinese DDGS, though no commercial sales have been made thus far. Millers noted that the U.S. product was of a superior quality to the Chinese. Price quotes for the Chinese DDGS was about US\$ 210-220/MT, compared to U.S. DDGS at US\$ 225-230/MT, both on CNF basis.

## 2.4 POLICY

As of January 2006, Vietnam has a special preferential import tariff on corn under the Common Effective Preferential Tariff Scheme (CEPT), which applies to ASEAN member countries. These countries currently enjoy a tariff rate of zero percent on corn. Countries with Most Favored Nation (MFN) status now have a 5% corn tariff rate. Thailand is a party to the ASEAN agreement and thus enjoys the zero tariff rate, while China is subject to the 5%

MFN tariff as corn is not covered under its ASEAN-China agreement. Both countries are major competitors for U.S. corn exports to Vietnam.

Vietnam's Ministry of Agriculture and Rural Development (MARD) has completed its biosafety regulations for field trials of biotech crops and it should be signed into law in early 2007. Biotech corn is one of the three crops to be planted during field trials. This holds enormous potential for U.S. biotech seed exports. FAS provided technical assistance to MARD to help develop the regulations for field trials, and continues to work with the Vietnam government to help develop the regulations for commercialization of biotech corn and other crops in Vietnam.

### 3. WHEAT

#### STATISTICAL TABLES

Table 3.1 Vietnam's Production, Supply and Demand for wheat

Country	Vietnam								
Commodity	Wheat			Units: (1000 HA)(1000 MT)(MT/HA)					
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	0	0	0	0	0	0	0	0	0
MY Imports	1181	1250	1200	1300	1350	1300	0	0	1400
TY Imports	1181	1250	1200	1300	1350	1300	0	0	1400
TY Imp. from U.S.	14	100	14	0	120	50	0	0	60
Total Supply	1181	1250	1200	1300	1350	1300	0	0	1400
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	75	88	180	100	100	200	0	0	220
FSI Consumption	1106	1162	1020	1200	1250	1100	0	0	1180
Total Consumption	1181	1250	1200	1300	1350	1300	0	0	1400
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	1181	1250	1200	1300	1350	1300	0	0	1400
Yield	0	0	0	0	0	0	0	0	0

Table 3.2: Vietnam's wheat Import

<b>Import Trade Matrix</b>			
<b>Country</b>	Vietnam		
<b>Commodity</b>	Wheat		
	Units: Metric Tons		
Time Period	Jul-Jun		July - Dec
Imports for:	2005		2006
U.S.	14,000	U.S.	14,500*
Others		Others	
Australia	684,000	Australia	212,412*
Canada	336,000	Canada	125,133*
China	13,000	China	136,178*
Black Sea	50,000	Black Sea	0
Brazil	103,000	Brazil	34,350*
Total for Others	1,186,000		508,073*
Others not Listed	0		0
Grand Total	1,200,000		522,573*

\* 2006 totals are for six months only

### 3.1 PRODUCTION

Vietnam produces no wheat.

### 3.2 CONSUMPTION

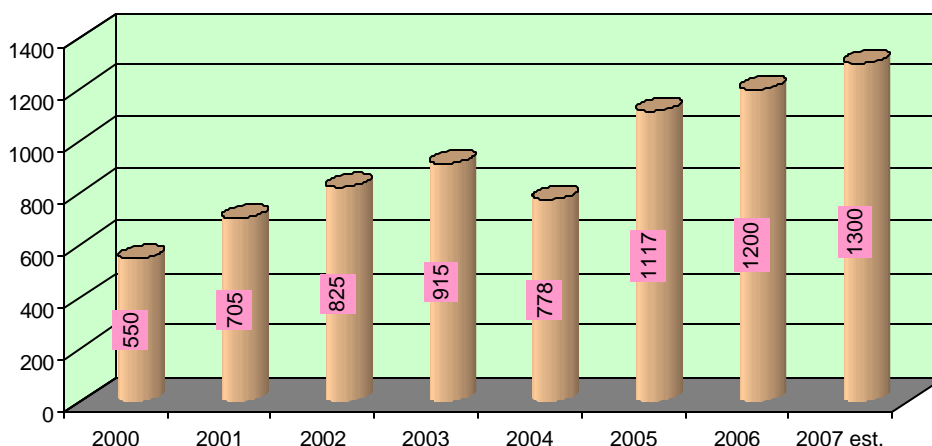
Vietnam's total wheat milling capacity is currently around 5,200 MT a day, with an annual demand for wheat milling of around 1.8 million MT. Wheat import volumes have been well below demand for the last several years and only passed the 1.0 million MT mark in 2006. Even so, this only satisfied two-thirds (2/3) of total demand. Newer state-of-the-art mills, which are partly or fully foreign invested, are thought to have the advantage over smaller locally owned mills in operating at or near capacity.

The food industry uses about 85% of wheat imports, with the remaining 15% going to the feed industry. Of the total used for food about 15% is used for bakery products such as cakes, biscuits, and crackers; a further 25% goes into making breads; and 60% is used for various kinds of noodles.

While rice remains the staple food in Vietnam, the proportion of wheat-based products is gradually rising. The Vietnamese consumer is not yet a sophisticated consumer of wheat products and does not demand as high a quality as consumers in more developed markets. Nevertheless, noodles, which have the largest share of wheat-based products, require flour with high gluten content.

**Vietnam Wheat Import by Year (2000-2007)**

(Unit: 1,000 mt)



Source: Trade

Vietnam's aquaculture industry grew by about 14% in 2006. This made for a much higher demand for wheat for feed use. Given the steady growth in the animal and aquaculture sectors, it seems very probable that the demand for wheat will continue to rise. Post estimates Vietnam's marketing year 2007 wheat imports will be about 1,300 thousand MT.

### 3.3 TRADE / COMPETITION

Australia has long dominated the Vietnam wheat market and generally accounts for at least 50% of total imports, as was the case in marketing year 2005/2006. Canadian wheat imports ranked second for the second year running, and Brazil reportedly shipped as much as 103,000 MT of mainly feed or low quality wheat to Vietnam for the first time. U.S. wheat imports were a modest 14,000 MT.

U.S. wheat exporters see much potential for U.S. wheat in Vietnam as consumers gain greater exposure to quality wheat and wheat products. Vietnamese wheat millers appreciate the superior quality of U.S. wheat, but their buying power has been constrained by high freight costs for containerized shipments. However, U.S. wheat exports got a huge boost late last year, when freight charges on containers returning to Asia were lowered significantly. This coupled with wheat shortfalls from severe drought in Australia provided an excellent opportunity for U.S. wheat. In January 2007, alone, as much as 32,938 MT were exported to Vietnam; far exceeding total annual exports for most preceding years. Given Vietnam's unfulfilled wheat demand and current, more favorable U.S. freight costs, U.S. wheat exports may well be in line to capture a greater share of Vietnam's wheat market.

Import wheat prices from various sources (CNF Ho Chi Minh City port):

Australia (APH, other)	\$190-210/MT
Black Sea Wheat	\$145-150/MT
Western Canadian wheat	\$160-180/MT
Chinese wheat	\$150-155/MT
Brazilian wheat	\$140-160/MT
U.S. wheat: (SWW)	\$196-225/MT
(DNS)	\$260-275/MT

Source: Trade